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CHIEF CLERK'S OFFICE

July 6, 2001

OFFICIAL FILE

ILLINOIS COMMERCE COMMISSION

Ms. Donna Caton
Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701

RE: Reconciliation of Revenues Collected Under Coal Tar Riders with Prudent Costs Associated with Coal Tar Cleanup Expenditures -- Docket No. 01-0377

Dear Ms. Caton:

Enclosed are an original and eight copies of the testimony and schedules from Glenn L. Davidson and Stephen Underwood on behalf of Central Illinois Light Company in connection with the above referenced docket.

Notice of this filing is being made in accordance with the requirements of 83 Illinois Administrative Code 255. Such rules prescribe the manner in which notice is to be made for a general rate increase. A copy of this filing will be made available to all persons upon request.

The statement of reconciliation of Rider Tar charges to recovery of Rider Tar charges through application of Factor Tar for the year ended December 31, 2000, included in CILCO Exhibit 1.1, attachment 3 to CILCO Exhibit 1.1 and attachment 1 to CILCO Exhibit 2.0 have been submitted under seal in a separate envelope stamped "CONFIDENTIAL" because the documents contain privileged and confidential information. CILCO requests that these documents be kept under seal and not be made available except in accordance with the established procedures for confidentially submitted information.

Please acknowledge receipt of the enclosed filing by stamping and returning one copy. If you have questions, please contact me at (309) 677-5442.

Sincerely,

Gregory G. Sick
Senior Rates Administrator

ill133c.doc

Enclosures

cc: Larry Jones, Hearing Examiner, ICC
Bryan Sant, ICC

*Noted
7/6/01
lt*

**PREPARED DIRECT TESTIMONY
OF
GLENN L. DAVIDSON
ON BEHALF OF
CENTRAL ILLINOIS LIGHT COMPANY
DOCKET NO. 01-0377**

ILLINOIS
COMMERCE COMMISSION
JUL 6 11 52 AM '91
CHIEF CLERK'S OFFICE

1 Q1. Please state your name and business address.

2 A1. My name is Glenn L. Davidson, and my business address is 300 Liberty Street,
3 Peoria, Illinois 61602.

4 Q2. By whom are you employed and in what capacity?

5 A2. I am employed by Central Illinois Light Company (CILCO) as an accountant in
6 the Sales and Marketing Business Unit.

7 Q3. Please describe your educational background and work experience.

8 A3. I was graduated from the University of Illinois in 1977 with a Bachelor of Science
9 degree in Accounting. In 1979, I was employed by the Federal Energy
10 Regulatory Commission where I worked as a field auditor in the Office of the
11 Chief Accountant. I am a Certified Public Accountant. I joined CILCO in
12 November 1989 and worked in General Accounting in the Accounting
13 Department. In December 1991, CILCO established the Energy Accounting Unit
14 in the Accounting Department and I became the supervisor of that unit until I took
15 my current position in Sales and Marketing at the the end of 1999,

16 Q4. What are your responsibilities in your present position with CILCO?

17 A4. I am responsible for the preparation and maintenance of financial records of the
18 Sales and Marketing Business Unit of CILCO. This includes the collection of
19 data related to fuel, purchase and interchange power, natural gas purchases, coal
20 tar, EPA allowances, steam billings and the entry of the data in the books and
21 records of the Company. Those records are maintained in the usual course of
22 business of the Company in accordance with the rules and regulations of the

23 Illinois Commerce Commission, the Federal Energy Regulatory Commission, and
24 the Company's own rules.

25 Q5. What is the purpose of your testimony in this proceeding?

26 A5. The Illinois Commerce Commission issued an Order Commencing Reconciliation
27 Proceedings on May 9, 2001 requiring CILCO to reconcile Rider TAR charges to
28 the actual coal tar cleanup costs allowable under the provisions of Rider TAR.
29 The order stated that CILCO should reconcile these revenues through December
30 31, 2000. The purpose of my testimony is to present the Rider TAR reconciliation
31 and evidence in a manner consistent with the Commission's Order.

32 Q6. Have schedules been prepared to which you will be referring in your testimony?

33 A6. Yes. I will sponsor CILCO Exhibits 1.1 and 1.2.

34 Q7. Has the Reconciliation of Rider TAR Charges been certified by the Company's
35 independent public accountants?

36 A7. Yes. At CILCO's request, Deloitte & Touche LLP has reviewed CILCO's
37 Reconciliation of Rider TAR Charges through Application of Factor TAR for the
38 year ended December 31, 2000 the supporting attachment, and accompanying
39 notes describing the basis of the presentation set forth in the Statement, and has
40 issued a letter of opinion on the reconciliation. Deloitte & Touche LLP letter is a
41 part of CILCO Exhibit 1.1.

42 Q8. Was notice of the filing of testimony and schedules in this proceeding published
43 in newspapers of general circulation in CILCO's service territory in accordance
44 with the requirements of 83 Ill. Adm. Code 255 (formerly General Order 157) for
45 giving notice of filing a request for a general rate increase?

46 A8. Yes. The notices were published in the Peoria Journal Star, the Pekin Daily
47 Times, the State Journal-Register in Springfield, the Pantagraph in Bloomington
48 the Herald & Review in Decatur, the Courier in Lincoln, the News-Gazette in
49 Champaign, and the Commercial-News in Danville. In combination, these

50 newspapers are circulated generally throughout CILCO's service area. Copies of
51 these notices and the certificates of publication are contained in CILCO Exhibit
52 1.2. Notice of the filing of testimony and schedules has also been posted in the
53 business offices of the Company.

54 Q9. Briefly describe the Company's current Rider TAR and its application to sales
55 and transportation services.

56 A9. CILCO's current Rider TAR tariff was issued pursuant to an Illinois Commerce
57 Commission Order entered October 18, 1995 in Docket No. R-18893 and became
58 effective November 1, 1995. Rider TAR sets forth CILCO's methodology for
59 recovery of coal tar costs and is applied to all throughput of sales and gas
60 transportation, excluding "Rate 10 Contract Service." Charges under Rider TAR
61 are projected annually and allocated to each applicable rate class based upon the
62 respective estimated base rate revenue from each class. The coal tar costs of each
63 class are then divided by the projected therms to be delivered to the class to
64 determine Factor TAR to be billed to that class.

65 Q10. Were any changes made to Rider TAR in 2000?

66 A10. No.

67 Q11. Please describe the contents of CILCO Exhibit 1.1.

68 A11. As the Exhibit sets forth, it contains the Company's reconciliation of Rider TAR
69 charges to recovery of Rider TAR charges through application of Factor TAR for
70 the year ended December 31, 2000. The Exhibit contains a title page, a letter of
71 opinion from Deloitte & Touche LLP, the required reconciliation, notes to the
72 statement of reconciliation, a supporting attachment for recoveries by class, an
73 attachment for year-to-date total expenses by site, and an attachment for year-to-
74 date recoveries by class.

75 Q12. What were the results of the reconciliation of Rider TAR charges for year ended
76 December 31, 2000?

77 A12. The reconciliation disclosed an overrecovery of \$44,697.74 for the year ended
78 December 31, 2000. In accordance with Rider TAR, the overrecovered amount of
79 \$44,697.74, will be refunded over the period April 1, 2001 through March 31,
80 2002 or such shorter period as necessary to trigger a Reconciliation Factor of .01¢
81 per therm or greater for all 3 classes.

82 Q13. What was the balance remaining for prior years' Rider TAR annual
83 reconciliations as of December 31, 2000?

84 A13. In Docket No. 00-0437, the Company filed to recover the December 31, 1999
85 underrecovery of \$74,145. The Company filed Rider TAR factors to recover this
86 amount from Bill Cycle 1 of April, 2000 through Bill Cycle 21 of December,
87 2000. As of December 31, 2000, CILCO has an underrecovery of \$4,312.42 that
88 will be recovered over the period April 1, 2001 through March 31, 2002 or such
89 shorter period as necessary to trigger a Reconciliation Factor of .01¢ per therm or
90 greater for all 3 classes.

91

92 In Docket No. 99-0336, the Company filed to recover the December 31, 1998
93 underrecovery of \$336,829. The Company filed Rider TAR factors to recover this
94 amount from Bill Cycle 1 of May, 1999 through Bill Cycle 21 of March, 2000.
95 As of December 31, 2000, CILCO has an underrecovered balance of \$59,003.93.
96 This remaining balance along with the 2000 Rider TAR overrecovery of
97 \$44,697.74 and the 1999 Rider TAR and 2000 reconciliation factor underrecovery
98 of \$4,312.42 will be rolled into 2001's Rider TAR reconciliation. The total pre-
99 2001 coal tar underrecovery of \$18,618.61 will be recovered over the period April
100 1, 2001 through March 31, 2002 or such shorter period as necessary to trigger a
101 Reconciliation Factor of .01¢ per therm or greater for all 3 classes.

102 Q14. Does this conclude your prepared direct testimony?

103 A14. Yes, it does.

CILCO Exhibit 1.1
Docket No. 01-0377
Witness: G. L. Davidson

CENTRAL ILLINOIS LIGHT COMPANY

RECONCILIATION OF RIDER TAR CHARGES TO RECOVERY
OF RIDER TAR CHARGES THROUGH APPLICATION OF FACTOR TAR
FOR
THE YEAR ENDED DECEMBER 31, 2000



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Central Illinois Light Company
Peoria, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Central Illinois Light Company (the "Company") for the year ended December 31, 2000, and expect to issue our report thereon dated January 19, 2001. We have also audited the accompanying Statement of Reconciliation of Rider TAR Charges to Recovery of Rider TAR Charges through Application of Factor TAR (the "Statement") and supporting schedules of Central Illinois Light Company for the year ended December 31, 2000. The Statement and supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the Statement and supporting schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement and supporting schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement and supporting schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Statement and supporting schedules presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement and supporting schedules were prepared for the purpose of complying with Central Illinois Light Company's Rider TAR, as filed with the Illinois Commerce Commission.

In our opinion, such Statement and supporting schedules presents fairly, in all material respects, the information set forth therein of Central Illinois Light Company for the year ended December 31, 2000, in accordance with Central Illinois Light Company's Rider TAR, as filed with the Illinois Commerce Commission.

This report is intended solely for the information and use of the Central Illinois Light Company and for filing with the Illinois Commerce Commission and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

January 19, 2001

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CENTRAL ILLINOIS LIGHT COMPANY

Statement to the Illinois Commerce Commission

Reconciliation of Rider TAR Charges to Recovery
of Rider TAR Charges through Application of Factor TAR
for the Year Ended December 31, 2000

(INFORMATION SUBMITTED UNDER SEAL)

CENTRAL ILLINOIS LIGHT COMPANY

NOTES TO THE STATEMENT OF RECONCILIATION OF RIDER TAR CHARGES TO RECOVERY OF RIDER TAR CHARGES THROUGH APPLICATION OF FACTOR TAR FOR THE YEAR ENDED DECEMBER 31, 2000

1. The Company's original Rider TAR became effective September 6, 1991, and provided for a Recovery Period ending December 31, 1992 for cleanup expenses incurred before the effective date of the rider and deferred until that time, plus expenses to be incurred from the date of the rider through December 31, 1992. The rider also provided for recovery of cleanup expenses during each year after 1992. The expenses for each calendar year after 1992 were to be projected through the end of the respective years and recovered ratably during that year. All cleanup expenses were to be recovered through a Factor TAR separately calculated for each Recovery Period.

On May 31, 1994, The Company filed a revised Rider TAR, which provided for recovery of each calendar year's cleanup expenses ratably over a period of five years. Thus, 1994 became the year of transition from one-year Recovery Periods to five-year Recovery Periods. In April 1995, the Illinois Supreme Court held that Illinois utilities are entitled to recover 100% of their prudently incurred coal tar remediation costs. Based on the Supreme Court's decision, the Illinois Commerce Commission (ICC) granted the Company's request to implement a revised Rider TAR in November 1995, which does allow recovery of coal tar remediation costs in the year they are incurred.

2. The "Rider TAR Charges incurred in 2000" (Line 2 of the Statement) represents the cost of coal tar cleanup to be recovered for the year ended December 31, 2000, in accordance with the Company's Rider TAR Tariff on file with the ICC.

3. The "Insurance Settlement" (Line 3 of the statement) represents a settlement received from an insurance company for coal tar cleanup costs. This payment releases the insurance company of any future liabilities related to coal tar cleanup expenses on CILCO properties.

4. The "Total Rider TAR Charges recovered through application of Factor TAR" (Line 5 of the Statement) represents the cost of coal tar cleanup recovered through the application of Factor TAR, which is calculated for each rate class for each calendar year and filed with the ICC. If the Company determines during the calendar year that it is appropriate to revise Factor TAR to better match revenues recovered with actual coal tar cleanup costs incurred, the Company may calculate a revised Factor TAR.

5. The "Overrecovery for the year ended December 31, 2000" (Line 6 of the Statement) represents the amount by which Rider TAR recoveries for the year ended December 31, 2000 were greater than the cost of coal tar cleanup. This overrecovery will be combined with the 1999 Coal TAR reconciliation underrecovery and the 1998 Coal TAR reconciliation underrecovery and recovered from the appropriate customers through application of Factor TAR over the period April 1, 2001 through March 31, 2002, or such shorter period as necessary to trigger a Factor of .01¢ per therm or greater for all 3 classes.

CENTRAL ILLINOIS LIGHT COMPANY

NOTES TO THE STATEMENT OF RECONCILIATION OF RIDER TAR CHARGES TO RECOVERY OF RIDER TAR CHARGES THROUGH APPLICATION OF FACTOR TAR FOR THE YEAR ENDED DECEMBER 31, 2000

6. The "Underrecovery of the 1998 reconciliation period ended December 31, 2000" (Line 7 of the Statement) represents the amount by which 1998 coal tar expenses were greater than the amounts recovered through the 1998 Rider TAR and 1999 Rider TAR refund factors through the year ended December 31, 2000. This underrecovery will be combined with the 2001 Rider Tar reconciliation balance and recovered from the appropriate customers through application of Factor TAR over the period April 1, 2001 through March 31, 2002, or such shorter period as necessary to trigger a Factor of .01¢ per therm or greater for all 3 classes.

7. The "Underrecovery of the 1999 reconciliation period ended December 31, 2000" (Line 8 of the Statement) represents the amount by which 1999 coal tar expenses were greater than the amounts recovered through the 1999 Rider TAR and 2000 Rider TAR refund factors through the year ended December 31, 2000. This underrecovery will be combined with the 2001 Rider Tar reconciliation balance and recovered from the appropriate customers through application of Factor TAR over the period April 1, 2001 through March 31, 2002, or such shorter period as necessary to trigger a Factor of .01¢ per therm or greater for all 3 classes.

8. The "Underrecovery for all years at December 31, 2000" (Line 9 of the Statement) represents the amount by which all Rider TAR recoveries through December 31, 2000 were less than the coal tar expenses through the year ended December 31, 2000.

9. CILCO continues to investigate and/or monitor four former gas manufacturing plant sites (Sites A, B, C, and D) located within CILCO's present gas service territory. The purpose of these studies is to determine if waste materials, principally coal tar, are present, whether such waste materials constitute an environmental or health risk, and if CILCO is responsible for the remediation of any remaining waste materials at those sites. CILCO previously operated plants at three of the four sites (Sites A, B, and C) and currently owns two sites (Sites A and B). CILCO has remediated Site A, at a cost of \$3.3 million and Site B, at a cost of \$1.5 million. In 2000, CILCO worked on the Phase II Environmental Site Assessment Work Plan and Investigation for Site C. Next, a risk assessment remedial alternatives study for Site C will be undertaken, taking into consideration new clean-up options available under current Illinois law. Until more detailed site specific testing has been completed, CILCO cannot determine the ultimate extent or cost of any remediation of Site C. CILCO has not yet determined the extent, if any, of its remediation responsibility for Site D.

CENTRAL ILLINOIS LIGHT COMPANY

Revenues Arising Through Application of Factor TAR
for the Year Ended December 31, 2000

Line No.	Month	Rate 500 & 510	Rates 550, 600, 900 & 950 Riders T1 & T2	Rates 650 & 700 Riders T5 & T7	TOTAL
1.	January	\$91,058.21	\$28,177.58	\$3,814.56	\$123,050.35
2.	February	92,300.44	23,698.65	3,408.47	119,407.56
3.	March	49,646.61	14,303.16	3,393.82	67,343.59
4.	April	39,481.26	12,153.67	2,860.68	54,495.61
5.	May	21,180.48	6,542.39	2,285.11	30,007.98
6.	June	12,314.88	4,941.57	1,676.18	18,932.63
7.	July	9,288.23	4,065.23	2,562.13	15,915.59
8.	August	9,026.28	4,659.74	1,606.57	15,292.59
9.	September	9,460.13	5,547.32	1,785.39	16,792.84
10.	October	16,119.09	8,844.79	1,740.32	26,704.20
11.	November	72,202.87	21,555.55	6,438.02	100,196.44
12.	December	165,160.82	44,077.91	10,888.54	220,127.27
13.	Total Rider TAR Recoveries	<u>\$587,239.30</u>	<u>\$178,567.56</u>	<u>\$42,459.79</u>	<u>\$808,266.65</u>

CENTRAL ILLINOIS LIGHT COMPANY

Incremental Costs by Site or Category
At December 31, 2000

Peoria:

Line No.	Site or Category Name	Site A Springfield: MacArthur Blvd.	Site D Springfield: 1st & Washington	Site B Peoria: Persimmon St.	Site C Pekin	Lincoln	Carrying Charges	Total
1	Cumulative Costs Through December 31, 1999	\$ 4,137,220.45	\$ 983,000.67	\$2,211,631.61	\$ 663,429.00	\$ 5,101.81	\$ 59,868.00	\$ 8,060,251.54 (1)
2	2000 Costs	<u>244,207.33</u>	<u>204,408.55</u>	<u>220,371.19</u>	<u>304,581.84</u>	<u>-</u>	<u>-</u>	<u>973,568.91 (2)</u>
3	Cumulative Costs Incurred Through December 31, 2000	<u>\$ 4,381,427.78</u>	<u>\$ 1,187,409.22</u>	<u>\$2,432,002.80</u>	<u>\$ 968,010.84</u>	<u>\$ 5,101.81</u>	<u>\$ 59,868.00</u>	<u>\$ 9,033,820.45 (3)</u>

(1) Source: Order in Docket No. 00-0437

(2) Source: CILCO Exhibit No. 1. 1

(3) Source: Line 1 plus Line 2.

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Attachment 3

CENTRAL ILLINOIS LIGHT COMPANY

Total Recoveries
At December 31, 2000

(INFORMATION SUBMITTED UNDER SEAL)

CILCO Exhibit 1.2
Docket No. 01-0377
Witness: G. L. Davidson

CENTRAL ILLINOIS LIGHT COMPANY

THIS EXHIBIT, WHICH CONTAINS THE CERTIFICATES OF
PUBLICATION AND THE PUBLISHED NOTICES,
IS TO BE SUPPLIED.

**PREPARED DIRECT TESTIMONY
OF
STEPHEN UNDERWOOD
ON BEHALF OF
CENTRAL ILLINOIS LIGHT COMPANY
DOCKET NO. 01-0377**

ILLINOIS
COMMERCE COMMISSION
JUL 6 11 52 AM '01
CHIEF CLERK'S OFFICE

1 Q1. Please state your name and address.

2 A1. Stephen Underwood, 300 Liberty Street, Peoria, Illinois 61602

3 Q2. By whom are you employed and in what capacity?

4 A2. I am employed by Central Illinois Light Company (CILCO) in the position
5 of Staff Engineer – Gas Operations Business Unit. Temporarily, I am the Project
6 Leader – Delivery Services leading the Company's effort in filing its residential
7 delivery service tariffs.

8 Q3. Please describe your educational background and work experience.

9 A3. I was graduated from Bradley University in 1981 with a Bachelor of Science
10 Degree in Mechanical Engineering. I was graduated from Bradley University in
11 1988 with a Master of Business Administration. I am a licensed Professional
12 Engineer in the state of Illinois. I have been employed by CILCO since 1982.
13 I have held various positions of responsibility in Gas Operations. In November
14 1999, I was assigned to the Gas Operations Business Unit. In November 1999 I
15 was given the responsibility to oversee the Company's remediation activities for
16 the manufactured gas plant sites.

17 Q4. What are your responsibilities with respect to manufactured gas plant (MGP)
18 sites?

19 A4. I have direct responsibility for the MGP site investigations and remediations and
20 coordination between various support and operating areas.

21 Q5. What is the purpose of your testimony in this proceeding?

22 A5. I will identify and describe the status of CILCO's former manufactured gas plant
23 (MGP) sites and provide the five-year budget forecast numbers and cost estimates
24 for each site. My testimony explains the Tiered Approach to Corrective Action
25 Objectives ("TACO") and its relationship to CILCO's four-phase approach to the
26 clean-up of the sites. I will describe the reasonable and appropriate investigation
27 and remediation practices performed at least cost and review the requirements of
28 the environmental laws applicable to the clean-up. My comments will describe
29 efforts from January 1, 2000 through December 31, 2000. The purpose of my
30 testimony is to demonstrate that CILCO has acted prudently in its coal tar clean-
31 up efforts.

32 Q6. Please identify the former MGP sites where CILCO incurs or may incur costs.

33 A6. CILCO continues to investigate and/or monitor four former gas manufacturing
34 plant sites (MacArthur Boulevard, Springfield, Illinois, Persimmon Street, Peoria,
35 Illinois, Front Street, Pekin, Illinois and First and Washington Streets, Springfield,
36 Illinois) located within CILCO's present gas service territory. CILCO previously
37 owned a fifth MGP site that was sold in 1993.

38 Q7. What is the status of the Company's remediation efforts at these sites?

39 A7. Remediation is complete at Persimmon and a no further remediation letter
40 ("NFR") was received February 2, 1999. Groundwater monitoring was completed
41 in the last quarter of 1999 as required by the IEPA in the NFR letter. The last of
42 the readings were received in the first quarter of 2000 and the results were under
43 the criteria levels so no further water monitoring is required.

44 Extensive remedial activity was completed prior to 1992 at the MacArthur site. A
45 No Further Remediation Letter was issued to CILCO for the MacArthur
46 Boulevard site on January 27, 2000. During 2000, the ground water was
47 monitored and routine inspections and maintenance procedures for the
48 groundwater collection system were followed. Ground water monitoring and
49 pump inspections are expected to continue through 2001 and beyond until testing
50 results fall below the criteria stated in the NFR letter.

51 The Pekin site was owned by ADM of Decatur, Illinois and was sold in 2000 to
52 the City of Pekin. Ground water sampling took place during 2000 to supplement
53 the findings from 1999 Phase II activities carried out at the site. The Phase II
54 report is now near completion.

55 No remediation has taken place at the 1st and Washington site in Springfield
56 because the site is still under investigation.

57 Q8. Why is CILCO cleaning up MGP sites?

58 A8. CILCO is required by federal and state law to investigate and remediate MGP
59 sites. Specifically, under the Comprehensive Environmental Response
60 Compensation and Liability Act (CERCLA) and the Illinois Environmental
61 Protection Act, liability for remediating MGP sites extends to any current owner,
62 any entity that operated a MGP site at the time of disposal, and any successor in
63 interest to such entities. Subject to these laws, CILCO is legally responsible in
64 total or part for the investigation and remediation at these sites.

65 Q9. What agency oversees CILCO's investigation and remediation responsibility?

66 A9. The Illinois Environmental Protection Agency (IEPA) reviews the required
67 reports for MGP work that are submitted pursuant to the Site Remediation

68 Program. The IEPA has accepted CILCO's plan to proceed with MGP site work
69 on a one-site-at-a-time basis.

70 Q10. Please describe the phases of a MGP site clean-up.

71 A10. There are typically four phases to clean-up. The phases are not necessarily
72 separate and sometimes overlap in implementation. Phase I is a historical records
73 research and an on-site inspection. The purpose of Phase I is to identify the site
74 and to determine whether the site poses any immediate threat to human health or
75 the environment. Phase II involves a more detailed investigation of the site.
76 Invasive and non-invasive sampling of the site is performed to determine the
77 types and extent of contamination which may be present. It also involves an
78 investigation (known as a risk assessment) of the populations at risk from
79 contamination which may be present at a site. Phase II is often referred to as the
80 investigation phase. The results of the investigation phase provide an evaluation
81 of the risks posed by the site based upon the contaminants present and the
82 populations exposed. The next phase, Phase III, is often called the feasibility
83 study phase. The study considers various remedial options, and evaluations are
84 completed to determine which options can most efficiently accomplish certain
85 clean-up objectives to achieve acceptable levels of risk posed by the site. This
86 determination includes least-cost considerations consistent with a remediation
87 process that will permanently resolve the problem without causing undue risk
88 during the process. Once the best alternative is selected, Phase IV, remediation,
89 can begin. The remediation activities may include: no action, isolating the site,
90 placement of engineered barriers or institutional controls, monitoring or pumping
91 and treating the groundwater, excavation of contaminated soils or sources of

92 continuing contamination, incineration or landfilling of the excavated materials,
 93 biological treatment of contaminated materials, or restricting access to the site to
 94 prevent further risks.

95 Q11. Please describe the Tiered Approach to Corrective Action Objectives ("TACO")
 96 and how TACO relates to CILCO's four-phase approach.

97 A11. TACO is a set of Illinois Pollution Control Board regulations that allows a tiered
 98 approach when a remediation applicant in the State's Site Remediation Program
 99 ("SRP") determines its Remedial (corrective action) objectives for soil
 100 remediation or groundwater remediation. The SRP involves four reports to be
 101 filed with the IEPA for review and approval. The following table compares the
 102 reports required under the SRP to the four phases that are described in my
 103 previous answer.

Site Remediation Program Report	Phase/ content
Site Investigation Report	Phases I and II - Environmental Site Assessment (Both phases are combined.) Historical records research/site inspection/sampling
Remedial Objectives Report (required if site investigation revels evidence of one or more contaminants of concern)	Phase III tasks - Remedial Investigation & Feasibility Study – i.e., determining pathways, receptors, property use, remedial objectives as to risk
Remedial Action Plans (demonstrating the planned actions will achieve the Remedial Objectives)	Pre-Approval of Phase IV work (the remedial corrective action, which could include soil removal or on-site treatment, engineered barriers, institutional controls, groundwater pumping and treatment, etc.)

Remedial Action Completion Report

Post-approval of Phase IV work

104 CILCO transferred the MacArthur, Persimmon and Pekin sites into the SRP
105 program during 1997. Pekin will be CILCO's first site under the SRP from the
106 initial investigation, but full participation in the program requires the written
107 consent from the property owner.

108 An advantage of the TACO program is the potential for the remediation to be
109 carried out at a lower cost than would otherwise occur under the State's previous
110 program.

111 Q12. Please describe steps taken at CILCO's MacArthur Boulevard site during 2000.

112 A12. The Company's environmental consultants, Hanson Engineering (formally
113 Krueger Engineering & Sciences) took quarterly samples from the sump
114 discharge and also baseline samples from original monitoring wells. That firm
115 prepared for IEPA review the remaining reports required by the Site Remediation
116 Program. As a preventive control, CILCO must maintain the engineered barrier
117 and operate the groundwater collection system until certain groundwater
118 parameters are met.

119 Q13. Please recap expenses for the MacArthur Boulevard site for 2000.

120 A13. In 2000, total costs for the MacArthur Boulevard site were \$244,207. These
121 expenses consisted of \$34,199 for environmental consulting & site expenditures
122 and \$210,008 for legal services incurred for insurance claim/lawsuit recovery
123 actions.

124 Q14. Please update activities at the Persimmon Street site.

125 A14. The IEPA issued a No Further Remediation Letter in February of 1999. CILCO
126 sampled the remaining groundwater monitoring wells for all of 1999. The last of
127 the results of the ground water monitoring was received in the first quarter of
128 2000. The results were under the levels required by the NFR letter. We are
129 currently preparing to retire the remaining monitoring wells now that no further
130 testing is required. We are also preparing a site management plan to provide
131 guidance to meet the requirements of the NFR letter.

132 Q15. Please recap expenses at the Persimmon Street site for 2000.

133 A15. In 2000, CILCO spent \$220,371 on Persimmon Street related work. These
134 expenses consisted of \$210,098 for legal services related to the insurance lawsuit
135 and \$10,273 for consulting, laboratory, and IEPA oversight fees.

136 Q16. Please recap expenses at the Pekin site for 2000.

137 A16. In 2000, total costs for the Pekin site were \$304,582. These expenses consisted of
138 \$100,128 for environmental assessment and \$204,454 for legal services incurred
139 for insurance claim/lawsuit recovery actions.

140 Q17. Please recap expenses at the First and Washington site for 2000.

141 A17. In 2000, total costs for the First and Washington site were \$204,409. These were
142 for legal services incurred for insurance claim/lawsuit recovery actions.

143 Q18. What efforts has CILCO made to obtain reimbursement for MGP site
144 environmental liabilities from its insurers?

145 A18. The Company is currently pursuing the recovery of some or all of its potential
146 investigation and remediation costs associated with its MGP sites from various
147 insurance companies who have issued policies to CILCO. Howrey, Simon,
148 Arnold & White represent CILCO as legal counsel in this matter. CILCO filed a

149 complaint in June of 1997 in the Circuit Court of the Tenth Judicial Circuit,
 150 Peoria County, Illinois, as case No. 97 MR 197, against several former insurers to
 151 recover some or all of the potential costs of MGP site investigation and
 152 remediation activities.

153 CILCO has settled its claims against two of the insurance carriers. The terms and
 154 amounts of those settlements are subject to confidentiality agreements between
 155 CILCO and the carriers. There are currently two insurance companies who
 156 remain in the lawsuit. A summary judgment motion is pending, and the trial date
 157 has been postponed pending the disposition of the summary judgment motion.

158 Q19. Please provide the five-year budget forecasts for investigation and remediation
 159 costs by MGP site.

160 A19. Subject to various timing and technical issues, including approvals from the IEPA
 161 and conditions that may be encountered during investigations or remediation
 162 activities, the following represents the five-year budget forecasts for investigation
 163 and remediation expenditures by CILCO at four former MGP sites.

<u>SITE</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
1 ST & Washington	\$137,500	\$102,500	\$27,500	\$27,500	\$27,500
MacArthur Blvd.	162,500	147,500	52,500	52,500	52,500
Pekin	252,500	402,500	122,500	47,500	47,500
Persimmon St.	162,500	117,500	42,500	42,500	42,500
TOTAL	<u>\$715,000</u>	<u>\$770,000</u>	<u>\$245,000</u>	<u>\$170,000</u>	<u>\$170,000</u>

164 Obviously, actual costs may be greater or less than the above estimates.

165 Q20. Has CILCO attempted to estimate a range of costs that may be required to manage
 166 the environmental obligations at each of CILCO's MGP sites?

167 A20. No, but CILCO's outside insurance recovery counsel did engage the services of
 168 an environmental consulting firm to prepare such an estimate to support CILCO's

169 efforts to maximize coverage, and insurance reimbursement, for these liabilities.
170 The result of that effort is considered by CILCO to be privileged from disclosure
171 under the attorney-client and/or attorney work-product privileges.

172 Q21. Please provide remediation cost estimates by MGP site.

173 A21. Remediation Technologies, Inc. ("RETEC"), at the request of CILCO's outside
174 insurance recovery counsel, Howrey, Simon, Arnold & White, has prepared
175 remediation cost estimates attributable to four former MGP sites. Howrey, Simon,
176 Arnold & White requested that these estimates be prepared specifically for the
177 purpose of assisting Howrey, Simon, Arnold & White in advising CILCO in
178 anticipation of litigation and for no other purpose.

179 The RETEC cost estimates were prepared using a probabilistic methodology and
180 certain assumptions. In the methodology used, rather than choosing a single site
181 management scenario and estimating costs for that scenario, a set of scenarios
182 were identified, and probabilities of implementation were assigned to each
183 scenario. The overall site management cost was calculated by appropriately
184 combining the cost of each scenario identified, weighted by its probability of
185 implementation. In addition, at any particular site, the values of many of the
186 parameters relevant to the cost estimates for each scenario may not be precisely
187 known. The methodology used allows the specification of these parameters as
188 probability distributions, rather than single values. Numerical techniques were
189 used to combine all cost parameters and generated a probability distribution for
190 the overall cost of environmental management at each site.

191 Subject to the above and other assumptions and methodologies utilized by
192 RETEC, Attachment 1 represents the minimum and maximum cost estimates to

193 remediate the four former MGP sites. Obviously, actual costs may be greater or
194 less than the above estimates.

195 Q22. Were all of the costs recoverable under Rider Tar in 2000, prudently incurred?

196 A22. Yes, the costs were prudently incurred as described in my testimony and met
197 prudence standards defined by the Commission. These are (1) reasonable and
198 appropriate business standards, (2) the requirements of other relevant state and/or
199 federal authorities, (3) minimization of costs to rate payers consistent with safety,
200 reliability and quality assurance, and (4) facts and knowledge the Company knew
201 or reasonably should have known at the time the expenditures were made.

202 CILCO has identified those MGP sites that it has, or may have, responsibility to
203 remediate. CILCO has assigned a priority to those sites and is addressing the
204 remediation of the sites one site at a time. CILCO has consulted with the IEPA,
205 which has approved of CILCO's approach to the investigation and remediation of
206 these MGP sites.

207 CILCO follows appropriate procedures to secure competitive bids for the work
208 that is performed at the MGP sites. CILCO also has staff personnel monitor all
209 work performed at the MGP sites to ensure that it is done in accordance with
210 appropriate standards.

211 CILCO has engaged counsel to assist in the recovery, if possible of insurance
212 proceeds available for the MGP site investigation and remediation activities.

213 Q23. Please describe the types of technology the Company employs to remediate its
214 manufactured gas plants sites.

215 A23. The Company has used the following remediation technologies: Excavation and
216 off-site treatment and/or disposal, groundwater collection and discharge to POTW

217 (Publicly Owned Treatment Works), engineered barriers (pavement caps, etc.),
218 institutional controls (restriction of potable water use, restriction of land use to
219 industrial/ commercial).

220 Q24. Is the Company familiar with the microbe cleanup technology developed by the
221 Gas Technology Institute?

222 A24. The Company depends upon our consultants to recommend the best solution
223 based upon all the possible solutions as identified in question 10. Our consultant
224 is familiar with bioremediation techniques. They are working on a couple of
225 current projects for other companies which include the application of microbes
226 and oxygen-enhancing products.

227 Q25. Has the Company employed the Gas Technology Institute's microbe technology
228 to remediate any of its manufactured gas plant sites?

229 A25. No, the Company has not employed the Gas Technology Institute's microbe
230 technology to remediate and of its manufactured gas plant sites.

231 Q26. What are the estimated completion dates for the Pekin site and the 1st and
232 Washington site in Springfield?

233 A26. It is difficult for the Company to provide estimated completion dates for these two
234 sites since we are very early in the remediation process related to them. A
235 remediation plan has not been completed for the Pekin site. Once completed, the
236 plan would need to be approved by the IEPA and the current property owner. The
237 final form of the plan will have a large impact on the estimated completion date.
238 Based upon our current information, the projected completion date for the Pekin
239 site is estimated to be around the 4th quarter of 2002. Upon the completion of the
240 Pekin site, CILCO would begin the investigation of the remediation that may be

241 required by CILCO for the 1st and Washington site. At this time, any estimate for
242 the completion of the 1st and Washington site would be speculation.

243 Q27. Does this conclude your prepared direct testimony?

244 A27. Yes, it does.

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Attachment 1

**CENTRAL ILLINOIS LIGHT COMPANY
DOCKET NO. 01-0377
RETEC COST ESTIMATES**

(INFORMATION SUBMITTED UNDER SEAL)